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PROGRAM ABC World News Tonight STATION WJLA TV
ABC Network

DATE August 8, 1985 7:00 PM CITY Washington, DC

SUBJECT Rewald Trial

PETER JENNINGS: In a Honolulu courtroom there is another trial underway which is likely to involve national security issues. A man named Ronald Rewald is on trial facing dozens of charges of mail fraud and perjury. But, as ABC's Jack Smith reports, there is much more at issue in this case than simple fraud.

JACK SMITH: He is accused of swindling some 400 people out of their life savings, many of them widows and retirees. But Ronald Rewald says the CIA was responsible.

RONALD REWALD: I certainly don't deny the fact that I was a covert agent, and I don't deny the fact that I was running that portion of Bishop Baldwyn that involved the Agency.

SMITH: The Agency, of course, is the Central Intelligence Agency, and Bishop Baldwyn, Rewald, Dilliam and Wong, the name of Rewald's investment firm which he formed here in Hawaii seven years ago. Its brochures claimed decades of experience it didn't have, prestigious partners who didn't exist, and federal insurance that wasn't there.

According to the now banckrupt firm's court appointed administrator, it attracted $22 million. Only half went back to investors. The rest was spent by Rewald himself hobnobbing with the rich and famous and maintaining the lifestyle of a millionaire. It was the biggest alleged investment scam in Hawaii's history, and many investors lost everything.

Do you think you'll ever see it again?

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WOMAN: Well, we're not very optimistic. No. I think we've pretty well written that off.

MAN: He mentioned all kinds of operations of the company that some of which were so secretive only the top echelon to the operation were privvy to.

SMITH: In fact, in court Rewald and his attorneys will argue his firm was actually a CIA cover directed from Washington and that he traveled worldwide collecting intelligence and carrying out secret missions for the agency.

The case has been widely covered in the media and was reported by ABC News.

The CIA flatly denies Rewald's story, saying he was never an agent, was asked only to set up commercial cover for a handful of operatives, and will cite evidence he was paid $3,000 for his trouble, nothing more.

Complicating the case is the fact that the CIA has sealed all documents that bear on its involvement, claiming national security.

Some investigators here feel the agency ought at least to have known about Rewald's scheme. And the bankkruptcy administrator, who has declined all recent interviews, is expected to seek up to $15 million from the CIA for negligence.

THOMAS HAYES (BANKRUPTCY ADMINISTRATOR): What Rewald has done is the double entente. He used the CIA as his cover rather than the other way around.

SMITH: The Agency has clearly been embarassed. At the trial now underway here, Rewald hopes to prove it was also responsible.

Jack Smith, ABC News, Honolulu, Hawaii.

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